

TARIFF READJUSTMENT—1929

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Mr. HULL of Tennessee, from the Committee on Ways and Means, submitted the following

MINORITY VIEWS

[To accompany H. R. 2667]

There is no available time at present in which to make careful and detailed analysis of the proposed changes of rates of duty and their application and effects. The bill is confessedly and professedly a revision upward. It treats the Fordney Tariff Act of 1922 as embodying the permanent high tariff policy of the Republican Party, and proposes to add a large number of increases to that already mountain-high structure. Agriculture, as in every instance since 1867, receives tariff benefits wholly minor and disproportionate to those assured to manufacturing industries. From two-thirds to three-fourths of the Fordney rates are already prohibitive of all or virtually all direct competition. Practically all of these are left untouched and intact.

The pending tariff revision presents the following points of fundamental difference between dominant Republicans and most Democrats:

First. The Republican administration would continue to build our tariff and commercial policy around the sole idea of safeguarding the home market, in the face of our actual or potential annual overproduction capacity of 20 to 25 billion dollars. The opposing view recognizes the patent fact that such surplus producing capacity has become so great as to constitute an additional and dominant factor in determining our tariff and commercial policy.

Second. The Republican administration would adopt as a permanent policy virtually embargo tariffs, designed to eliminate not only direct foreign competition, but that which is indirect or remote as well, despite the fact that we are exporting \$2,000,000,000 of finished manufactures compared with like dutiable imports of \$560,000,000. The opposing view recognizes that the tariff is a tax and can only bestow full benefits on some, less on others, and none at all on still

others, besides seriously obstructing surplus exports. This country, therefore, in lieu of the Republican policy of superprotection, should gradually embrace a policy of moderate tariffs, reasonably competitive, with liberal trade policies, designed to increase healthy production, maintain wages, and find world markets for our ever-increasing surpluses.

Third. Under its policy of concededly excessive or prohibitive tariffs, the Republican administration would make the trend of tariff revision always upward as to the measure of benefits bestowed, although our abnormal tariff level is now the highest in the world save that of Spain and Russia. Two-thirds of the present rates and classifications are prohibitive of direct competition. Yet it is seriously proposed that, as this country increases its superiority in productive efficiency and output, tariffs shall be correspondingly raised rather than lowered. The opposing view, deeming this issue most vital, would work in the direction of a tariff and commercial policy calculated to avoid retaliation, promote a sounder domestic structure, augment our exports, now hopelessly falling behind those of Europe, and secure more equitable taxation. To this end there should at once be substituted a policy by which the trend of tariff revision would be downward to a level of moderate or competitive rates—rates which would guard against domestic monopoly on the one hand and abnormal imports against an efficient industry on the other. Naturally, as domestic industries become self-sustaining, tariffs should be correspondingly reduced, with the view to their ultimate removal, especially when there arises substantial exports and no material competitive imports. In the meantime, many will plausibly insist that rates on commodities not on a parity with the general tariff structure may be made so, if the facts so warrant.

Fourth. The Republican administration as in the past, for the purpose of tariff making, would flout and shunt aside all formulas and fact-finding agencies or commissions, with the result that the old and worst type of log-rolling and political pressure of conflicting interests will be continued, under which tariff rates, generally dictated by the beneficiaries, will again be piled high and indiscriminately upon the futile theory that domestic competition will hold down prices to a reasonable level. President Taft, in 1910, summing up our experience under the Dingley law, officially branded this theory as utterly false and unreliable in practice. The opposing view would favor tariff revision and readjustment by Congress itself, in a careful, gradual, and scientific manner. Such revision would be based on all the facts and factors measuring the difference between our competitive strength and that of our rivals. These facts would be carefully assembled and laid before Congress by the ablest and most impartial fact finding commission that could be installed.

Fifth. The Republican administration would not only retain section 315, the flexible tariff provisions, but would considerably enlarge and expand it for purposes of broader tariff legislation by the executive department. The President would thereby be enabled to change the whole objects and purposes of the tariff law enacted by Congress. The opposing view insists that, as administered thus far, the flexible provision has been utterly disappointing and failed of its professed purposes. It has only been used unfairly to revise

tariffs upward in most all instances. Its operation has been productive of national scandal. It is clearly unsound, unwise, impracticable, subversive of the plain functions of Congress, and should be speedily repealed.

Sixth: The proposed revision provides in effect that the valuation by appraisers shall be final except by appeal to the Secretary of the Treasury. This astonishing proposal strips bare the jurisdiction of the Customs Court and its authority to adjudicate unquestioned and hitherto unchallenged rights of the citizens. This is bureaucracy run mad. The very suggestion that the most valuable property rights of the citizen can be disposed of or dealt with as a finality by the Treasury Department without the slightest recourse to the courts of the country is wholly impossible to understand.

Seventh. The Republican administration falsely pretends that in addition to the tariff benefits already secured by agriculture, there yet remains still other possible tariff benefits substantial enough to afford an important basis for present farm relief. The pretense is that their enactment, and it would be most desirable if feasible, will place agriculture on an economic equality with industry. This barefaced and belated suggestion ignores the fact that crops planted to near 90 per cent of all tillable lands, derive and can derive either no appreciable tariff benefits or none at all.

The opposing view, in a spirit of honest candor, recognizes that tariff protection necessarily implies two classes, one to be protected and one to protect it, so that the notion of equalizing tariff benefits is absurd; and that the tariff is the most inequitable of all taxes. American agriculture, therefore, would again be solemnly warned that as a whole it suffers far greater injuries than it derives benefits from general high tariffs, because tariff aid to minor specialties is too slight to affect favorably the entire agricultural structure. The farmer could again be reminded that the demonstrated failure of the farm tariffs of both 1921 and 1922 to bestow benefits upon agriculture at all proportionate to those enjoyed by industry, is now beyond the pale of controversy. This lengthy test of actual tariff experience consigns any new and third farm tariff proposal to a minor place in any sound and comprehensive program for farm relief.

The Republican proposal this year again to revise the tariff upward should be met by a Democratic challenge and demand to revise it downward. The Republican practice of accepting large campaign funds from tariff beneficiaries and later permitting them to come to Washington and write their own rates on the plea that the tariff must be revised by its "friends" should be met by a Democratic challenge and a demand that Congress, in the exercise of its own functions and prerogatives, shall write the rates. The Republican proposal to move farther in the direction of extreme high tariffs and more severe restrictions on international trade, in accordance with economic formulas and notions of the pre-war vintage, should be met by another Democratic challenge and a demand that America, instead of being further subjected to supertariffs, must in the future work toward a constructive and liberal tariff and commercial policy with uniformity of treatment, in the light of the transformation and revolution in our financial, industrial, and commercial affairs since 1914.

A correct interpretation of these new and changed postwar conditions clearly demands foreign markets rather than excessive tariff protection. There are certain new and elemental facts about America's domestic and international situation that can not well be ignored. From the economic standpoint the United States should have two main objectives, viz, the home trade and continuous development of foreign markets. The future prosperity of this country is inseparably bound up with both.

Republican leadership, ignoring the secure and impregnable position of American industry in our home trade and clinging to preconceived ideas of narrow nationalism or exclusiveness, would continue extreme protection, breathing retaliation, primarily at the behest of antiquated or inefficient plants, those not economically justifiable, minor specialties, and those near seaports, where small but not abnormal imports come in. Foreign markets and foreign trade are no part of this single policy of superprotection and economic isolation.

The opposing view would put vitality into the recent utterance of President-elect Hoover that "international trade is the lifeblood of modern civilization," and would point to the extreme need of many great and increasing surplus-producing industries for foreign markets. It would brand as absurd the idea of formulating a broad, national tariff and commercial policy by singling out minor or local or group phases or individual tariff items and generalizing from them. It would insist instead that in solving our present vast industrial and trade problems, we must visualize the Nation as a whole—as one great financial unit, one giant productive plant with ever-increasing surpluses, and as the chief outstanding factor in the present interdependent and interlocked financial, commercial, and economic affairs of the world.

American economic policy can no longer ignore the fact that since 1914 we have changed from a debtor and small surplus Nation to the greatest creditor and actual or potential, surplus-producing Nation in the world; that, due not to tariffs but to our superior labor, machinery, horsepower, and to mass production we maintain higher wages and living standards and lower production costs in an increasing number of industries than any other country; that as a result we were able in 1927 to export and sell \$2,000,000,000 of finished manufactures and \$700,000,000 of semimanufactures throughout the world in defiance of all low wages and low-living standards. Be it remembered in this connection that our high wages and high-living standards had become a permanent part of our industrial system prior to the Fordney tariff; that they originated in the automobile, the buildings, the railroad, and other nontariff sheltered industries, and that real wages here have increased not much over 2½ per cent since 1923. And, too, the great reduction of working hours was effected prior to 1921. Let it be further remembered that our high tariffs were not an important factor in such partially satisfactory business conditions as we have had. Our unlimited raw materials and foodstuffs, mass production, and increased productivity of labor, automobile expansion, our vast gold and credit structure, the expenditure of billions annually in building, highway, and railway construction and improvement, and the installment sales of two and three-fourths billion dollars per annum, have been the chief factors. The major effect of

tariffs is to transfer wealth from one class to another without affecting the Nation's total.

It is safe to say that our productive capacity to-day is 25 per cent in excess of our ability to consume. High tariffs can not save us from growing surpluses. Some of the serious results already are the doubling and trebling of distribution costs in frenzied efforts to dispose of increasing surpluses at home; much idle labor and vast aggregations of idle capital, billions of which have gone into stock brokers' loans, for gambling purposes, thereby seriously affecting the stability of both our money and trade structure; many loans abroad made more hastily than prudence and good investment policy would justify; feverish efforts by many industries, through devices and tacit arrangements to curtail production so as to maintain an equilibrium between production and consumption, thereby avoiding price dislocation; a growing annual surplus in an increasing number of industries, such as agriculture, coal, and textiles, oil, and a long list of others. If American plants to-day were unloosed at full production capacity, they would flood all domestic markets within 90 days, and many artificial parts of our economic structure would topple and fall.

It is my individual view that these glaring facts and conditions soon will compel America to recognize that these ever-increasing surpluses are her key economic problems, and that our neglect to develop foreign markets for surpluses is the one outstanding cause of unemployment. Those who champion our system of superprotection do not pretend that tariffs will aid exports, for the patent reason that nations can not sell more if each tries to buy less; that high tariffs shut off our exports almost to the extent that they shut out imports; that such tariffs arouse hatred, controversy, retaliation, and drive trade in the opposite direction; that we can not extend foreign markets by raising domestic costs; and that every tariff rate is an injury to export trade.

Since the war, with values equalized, our imports of finished dutiable manufactures have been less than in 1914. Our average tariff rate on these is approximately 42 per cent, while it runs to 53 per cent on cotton manufactures, 61 per cent to 71 per cent on woolen manufactures and fabrics, respectively, and 68 per cent on silk wearing apparel. Imports comprise the very minimum of competitive articles, while they involve billions of noncompetitive raw materials and foodstuffs, we do not produce, or can not produce in sufficient quantities, semimanufactures, specialties, and certain costly fashions or designs purchased by the rich. If instead of teaching the people that the slightest imports are a matter of life and death we would teach them that there is room for a mutually profitable exchange of a large range of commodities that neither country can profitably produce, as just described, as well as still others only indirectly or remotely competitive, we would thereby derive \$3 from enhanced and healthy sales of our surpluses to each \$1 derived from ultra tariff protection. But people are taught to view only the gross tariff benefits and to overlook what are net tariff injuries in a majority of cases.

It was under American leadership that a network of tariffs has been built up in Europe since the war, with such results as diminished production, wasteful use of capital, uneconomic distribution of industries, serious trade controversies, and fatal handicaps to the

restoration of international trade. America should now take the lead back toward lower tariffs and liberal trade policies. It would be absurd to call upon other countries to lower their tariffs while we proceed to raise ours, already far higher than theirs. There was never such potential trade opportunities in many countries open to a nation as are offered America to-day. There are more than a billion people in the Far East and in South America whom we could easily persuade to desire more and better things to eat, wear, and use, and who could soon be induced to develop a purchasing power of ten to fifteen billion dollars per annum. We have thus far scarcely scratched the surface. A similar course toward Cuba, Porto Rico, and the Philippine Islands by the United States, toward Africa by England, and Manchuria by Japan, are illustrations.

The conclusion is inescapable that this Nation, faced with large and growing surpluses, can advance its economic welfare to a far greater extent by developing these wonderful foreign-trade opportunities than by rejecting them for the sake of an air-tight tariff structure and the trifling increase of home trade resulting. To prove this we have but to look at the small increase of home trade and consumption compared with our great piling up surpluses since 1923. The latter course will send American agriculture and other surplus industries to their doom. Agriculture was given the so-called farmers' high tariff of May, 1921, with the assurance that it meant prosperity; they were later given the supplemental tariffs in the Fordney Act of September, 1922, with the renewed promise that they were the key to undoubted agricultural prosperity. Agriculture to-day is over \$20,000,000,000 worse off than in 1920. Still more tariffs are again offered agriculture. Can the same farmers be thus fooled a third time in succession? Our agriculture already enjoys all the tariff benefits available to a material extent, save as to a few minor products. Three hundred and thirty-nine million of a total of 356,000,000 acres planted to crops in 1927 comprised staple crops that experience purely nominal or no tariff benefits, but only tariff penalties. These include corn, cotton, tobacco, wheat, hay, rye, oats, buckwheat, and barley. Here is where the farmer's capital is invested. I agree now to pay \$500 to any charity if any impartial group of unbiased economists to be selected should not find that the tariff injuries as a whole to the producers of these eight staple products are not three to five times greater than the tariff benefits. Almost the entire truck products, which are more clamorous for tariffs, are only raised on about 2,400,000 acres, or less than 4,500,000 acres, if we include peanuts and beet and cane sugar. To dose the farmer further on tariffs, save in a few minor instances, is but an attempt "to drug the patient while his strength slowly ebbs away." The farmer should follow economic rather than political leadership.

The United States, along with Spain and Russia, maintains the highest tariff and trade barriers in the world. Other nations have tariffs, deemed amply high, but they are low in comparison with ours. When Republicans assert that tariff protection has become the accepted policy in this country, they do not mean reasonable, or adequate, or moderate protection, but inordinate, air-tight, superprotection intended to exclude every item of imports remotely competitive, which invites retaliation and which largely cuts us

off from all markets for our surpluses. They dare not defend it upon grounds of revenue or equity or morals.

This is the first economic issue tendered to Democrats. We must first halt and drive back the movement to fasten this unsound and destructive policy of extremism upon the country, by a demand that the Nation face in the opposite direction of lower tariffs, more liberal trade policies, and systematic efforts to develop an increasing export trade. The latter should include free ports wherein raw materials could be brought from abroad, mixed with our own, and manufactured into finished products to be exported and sold.

Astonishing to say, our exports to-day are less than they would have been under the pre-war percentage of increase, although we have sold most of them on credit by loaning the money to pay for them. These loans with which to pay indebtedness due us from abroad can not continue. It is merely piling new upon old debts. The first objective then, of those who challenge the Republican tariff program, is to substitute the broader and more liberal tariff and trade policies as stated. The tariff readjustments to this end should be brought about in the most careful, gradual, and scientific manner. Under these policies our surpluses would be kept moving; labor and capital would be fully employed on thoroughly satisfactory terms; many raw materials we do not produce or can only produce in wholly inadequate quantities would be admitted free, thereby substantially reducing production costs; and soon our exports would aggregate ten to fifteen billion dollars instead of five billions at present.

Pending the accomplishment of this first objective, as I view it, there need be no occasion for quibbling or concern about the fixing of rates for minor tariff items where, due to changed conditions, imports are abnormal, the industry is efficient, and the rates are not on a parity with those of the general tariff structure. But when the first long step in this proposed tariff and trade policy of liberalization shall have been carried into effect, then under improved conditions will come the occasion to define and prescribe more exact formulas for rate purposes. When with lower production costs and wider and better foreign markets, tariff demands will be modified, the rate basis will be different and easier of determination. The modernized view that as a nation becomes economically independent it should throw off artificial restrictions upon production and trade, will be strong. Unreasoning fear of foreign competition and the present mania for tariff embargoes will have abated. The weight of enlightened opinion will incline more and more toward moderate tariffs, reasonably competitive, which would give play to an ever-increasing foreign trade, a healthier, greater, and better balanced home production and price level, with all standards of wages and of living maintained and gradually improved, a better distributed prosperity, and America for generations would lead the world in finance, industry, and commerce.

Our Government should have had installed since 1921 a great impartial and firm fact-finding tariff body—much freer from bias and factionalism than some of the commissions that have been attempting to function—to the end that Congress and the country might at each stage have been kept fully advised of all current industrial, trade, and economic facts material and pertinent for the purposes of tariff readjustments from time to time. With a responsive Congress, disposed

to utilize and act upon conditions thus revealed, our economic situation to-day would have been far better.

This country could have utilized, as it could yet, the bargaining method, along with the unconditional favored-nation doctrine; but the former only as a present means of checking and gradually lowering many abnormally high tariff and trade barriers. Our country could also lend its moral influence, as it heretofore should, in the direction of gradual readjustment downward of excessive tariffs by all nations, and so participate, separately and independently, in such downward movement.

The set of policies herein suggested offers the only alternative to that always practiced, though not always professed, by the Republican Party; which latter constitutes the most aggravated form of special privilege; which requires our economic structure, as far as may be, to rest upon subsidies made possible by legislation; and which, worst of all, involves a corrupt partnership between politics and vested industrial interests, the poison of which constantly breeds national scandal such as that in Pennsylvania. With this sinister and discredited policy there can be no compromise.

Moreover, the Democratic Party could not secure the favor of these forces of superprotection if it would. The Republican Party already is their willing and subservient agent, and they would be slow to incur the useless trouble and expense to debauch and prostitute another political party for the same purposes.

HOUSTON PLATFORM—SMITH—RASKOB

Due chiefly to Republican propaganda, there has been much confusion and misunderstanding relative to the true attitude of Republicans and Democrats, respectively, toward existing tariffs. For the purpose of clarifying the matter, it is immaterial what individuals say as to their respective tariff theories. The one basic governing test is what the two political parties when in charge of the Government do in actual, concrete practice. Republican spokesmen profess to stand for only reasonable tariff protection, dispensed in equal and fair amounts to all classes and sections. They invariably practice embargo or prohibitive or superprotection, unfairly distributed with purely incidental concern for international trade and markets for our surplusses. These spokesmen in theory assert that Congress, free and untrammelled, should write the tariff rates, whereas in practice the tariff beneficiaries who have financed the Republican Party have always dictated Republican tariffs. This has meant a continuous and corrupt political partnership between tariff beneficiaries and dominant Republican leadership.

Both the traditions and the philosophy of Democrats have been bottomed primarily on the Jeffersonian doctrines of equal rights and opposition to special privilege, which is directly repugnant to uniform Republican tariff policies in practice. Democrats, again, adhere to the rigid practice of having Congress itself write tariff laws, unhampered by selfish individual tariff beneficiaries, and of doing so upon accurate detailed information furnished by an impartial tariff commission. The idea, furthermore, of a corrupt political partnership with privilege-seeking classes, as in the case of the Grundy organization in Pennsylvania and the Republican Party, is obnoxious and

revolting in the last degree to Democrats. From these viewpoints, Democrats would naturally make the trend of present tariff revision downward and not upward, as Republicans propose.

A glance at the weight of the utterances of Democratic platforms and party leaders leaves an open road to Democrats at this time to fight for and to seek to carry out the traditions, the philosophy, and the fundamentals of the party to which they belong. The Democratic platform of 1928 made it perfectly clear, first, that the Fordney Act was in serious and urgent need of revision, and not revision upward. The platform stated "the Democratic tariff legislation will be based on the following among other policies":

(a) The maintenance of legitimate business and a high standard of wages for American labor.

Democrats from time immemorial have contended that this was one of the prime purposes and prime effects of Democratic tariffs.

(b) Increasing the purchasing power of wages and income by the reduction of those monopolistic and extortionate rates bestowed in payment of political debts.

Who states that "there is no difference between the two political parties" in the face of this demand to cut out of the Fordney law "those monopolistic and extortionate rates bestowed in payment of political debts," the effects of which would require general tariff reduction?

(c) Abolition of logrolling and restoration of the Wilson conception of a fact-finding tariff commission, quasi judicial, and free from Executive domination which has destroyed the usefulness of the present commission.

Here is presented another direct and fundamental issue between the Democratic platform and the present tariff revision program of the Republican administration.

(d) Duties that will permit effective competition, insure against monopoly, and at the same time produce a fair revenue for the support of the Government, etc.

Here is presented another bald and vital issue in the light of the Republican practice since 1922, and also its present program of tariff revision upward. More than two-thirds of the present rates and classifications in the Fordney Act are notoriously prohibitive of any direct competition; and yet it is proposed to all practical extent to leave these untouched or to revise them further upward.

(e) Safeguarding the public against monopoly created by special tariff favors.

Whoever heard of a Republican administration standing for this policy of antitariff monopoly, when it has practiced it and lived on it for near three-quarters of a century? True, its spokesmen, for the purpose of camouflaging the situation, have at times indulged in empty words, phrases, and theories contrary to this invariable practice of their party.

It is thus clear from governing platform utterances whether or not we subscribe to all of same, that the true and logical Democratic policy to-day should be tariff revision downward to a level of moderate rates, reasonably competitive, coupled with liberal commercial policies calculated constantly to increase our export trade. There are no prohibitions to the contrary. Some little time would be required for Democrats to reach this objective. After it has been thus reached, and in the light of the new and changed economic conditions.

then existing, will be the time and the occasion for Democrats to determine further steps in the development of tariff and commercial policy. In all probability the second and last step will be much simplified by economic developments in the meantime.

We may with perfect candor pursue this inquiry relating to the true and fundamental attitude of the two parties relative to present tariff and commercial policy, to the point of utterances of individual leaders during the campaign of 1928, although regard might properly be had, in this connection for the right of individual utterances and for subsequent election results. And furthermore, Democratic leaders in the past, recognizing the logic of developments and conditions, have felt constrained and justified later to modify previous utterances of both leaders and platforms, and with public approval. This relates to such action in regard to the 6 year presidential term and the Panama tolls problem, as treated in the Democratic platform of 1912.

Governor Smith, in his speech of acceptance, stated true tariff philosophy when he said: "Acting upon the principle of 'equal opportunity for all, special privileges for none,' I shall ask Congress to carry out the declaration of our platform." Could this mean anything but speedy revision, and revision downward? He then adds: "To be sure the Republican Party will attempt to misrepresent Democratic attitude to the tariff." This sentence points to the source of most of the confusion among some Democrats to-day regarding the tariff. According to strict Democratic practice, Governor Smith further says: "The Democratic Party does not, and under my leadership will not, advocate any sudden or drastic revolution in our economic system which would cause business upheaval and public distress." Governor Smith, like a true prophet, thus forecast the vicious and strenuous efforts of Republican propagandists both to misrepresent the Democratic tariff attitude and to alarm a segment of business by charges that Democrats would make a sudden and violent assault on business tariff beneficiaries, which would result in a temporary dislocation of that phase of our economic situation. It was to refute this wholesale Republican propaganda of gross misrepresentation that Chairman Raskob requested Democratic candidates for Congress to agree to a statement presently to be referred to. Governor Smith perhaps fell into an error of judgment when he expressed the view that the tariff "can be taken out of the realm of politics." This can not be done so long as the Republican Party maintains a corrupt partnership with tariff beneficiaries, permits them to finance its campaigns, and in turn to write their own tariff rates.

Governor Smith, speaking further on the Fordney-McCumber tariff, said: "A leading Republican, writing in criticism of the present tariff law, said 'it stands as one of the most ill-drawn pieces of legislation in recent history. It is probably near the actual truth to say that taking for granted some principle of protection of American business and industry, the country has prospered due to postwar conditions abroad and in spite of, rather than on account of, the Fordney-McCumber tariff.'" Is there anything in these utterances of Governor Smith to indicate the slightest friendliness toward the present Fordney-McCumber tariff, or that the two political parties have

coalesced in their tariff policies? We observe precisely the contrary in every fundamental sense.

Governor Smith, in his address at Louisville, October 14, 1928, among other things said: "I definitely pledge the only change I will consider in the tariff will be specific revisions in specific schedules, each considered on its merits on the basis of investigation by an impartial tariff commission and with careful hearing before Congress of all concerned." The Democratic House of Representatives in 1911 and 1912 as previously under Chairman Springer, pursued this so-called policy of "popgun" revision. I construe this utterance of Governor Smith to mean gradual, careful, and as nearly as possible, scientific revision, based on full facts reported by a capable fact finding commission. Revision by piecemeal would really require no greater length of time than general revision if the latter is based upon full study and investigation, as it should be. The two outstanding phases of these Louisville tariff utterances referred thus to gradual revision and the utilization of a tariff commission. Governor Smith further said: "I will oppose with all the vigor that I can bring to my command the making of the tariff a shelter of extortion and favoritism or any attempt to use the favor of the Government for the purpose of repaying political debts or obligations." He then added: "To the very last degree I believe in safeguarding the public against monopoly created by special tariff favors." Republican practice now and during all the past has been diametrically opposed to these fundamental utterances of Governor Smith at Louisville. During the remainder of the campaign last year, Republican spokesmen, instead of attempting to construe any abstract phases of the Smith Louisville speech as favoring the policy of high tariffs as practiced by the Republicans, proceeded vociferously to proclaim to the public that Smith's tariff views were not in harmony with those of the Republicans and were not friendly to business tariff beneficiaries. It is clear that the weight of the Smith tariff utterances were not of a character to prevent Democrats adhering to their respective tariff views, while agreeing to a program of piecemeal revision through the aid of a tariff commission.

The telegram of Chairman Raskob a few days later to Democratic candidates for Congress explained in the opening sentence that its purpose was to dispel the outrageous Republican propaganda regarding the attitude of Democrats toward the tariff. The telegram stated the "Republican campaign management is trying to frighten business with the claim that the country can only be prosperous under Republican rule. They wilfully misrepresent the Democratic Party's attitude on tariff." It was with this psychology that the telegram undertook to deal. The Republicans were falsely charging that Democrats would run wild with respect to radical tariff revision, and that they would greatly undermine business. Democrats, of course, were a unit, as they always have been, in asserting that Democratic tariffs would place labor, agriculture, and business on a healthier and more prosperous basis than high and artificial Republican tariffs written by favored beneficiaries.

It was in these circumstances and to dispel these slanders that the telegram of Chairman Raskob requesting Democratic candidates to agree "to specific tariff revision in specific schedules, each considered on its own merits and on a basis of investigation by an impartial tariff

commission and a careful hearing before Congress of all concerned. That no revision of any specific schedules will have approval of the Democratic Party which in any way interferes with American standard of living and level of wages. * * * That nothing will be done that will embarrass or interfere in any way with the legitimate progress of business, big or small." Tariff revision by specific subjects and schedules has already been explained and Democratic precedents referred to, with approval, also the utilization of a fact-finding commission. The insistence that legitimate business and labor would not be injured by Democratic tariff revision might well have been made stronger by an affirmation that both would be greatly benefited. Smith's Louisville reference to tariff protection was not submitted to Democratic congressional candidates for approval or disapproval. He has a right to construe them as he sees fit.

While it is true that many individual Democrats, and many Republicans as to that, entertain various shades of tariff views, and are free to express and maintain them, yet it is equally true that individuals, regardless of their varying views, must function with one of the political parties in the enactment of tariff legislation, and that should be the party whose tariff policies in actual practice most nearly reflect the views of such individuals. It clearly follows from the above citations that no Democratic Congressman is under the slightest prior obligation that would now handicap him in making application of suitable and fundamental tariff policies to our present day economic conditions. This is his first and highest duty in any event. This conclusion is doubly fortified by the historic record of the Democratic Party on tariff and economics. The brightest chapters in its achievements and its service to the people have grown out of its fights for economic policies based on the general welfare of the Nation.

It of course was possible for a Democrat to subscribe to the method and program for dealing with the tariff as outlined in Governor Smith's Louisville speech. It was neither necessary nor possible, however, that in so doing a Democrat should concur in his expressed view that the tariff could be taken out of politics, or to other individual and abstract views he suggested relative to the merits or demerits of tariff protection, because the Raskob telegram expressly omitted these passages in the Smith speech. It was not difficult therefore to subscribe to his plan of piecemeal tariff revision, aided by a fact-finding commission; and that in doing so, to quote Smith, there should be sustained opposition to any revision that would afford "shelter of extortion and favoritism," etc., and to any revision that would not "safeguard the public against monopoly created by special tariff favors." This was the substance and essence of the Smith Louisville suggestion on which the Raskob telegram was based.

Respectfully submitted.

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